

Message Text

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TAGS: CSCE PFOR EGEN EEW

SUBJECT: CSCE TRADE ISSUES

1. AT DINNER HOSTED BY USSR, MAY 16, NUMBER OF WESTERN, EASTERN AND NEUTRAL COUNTRIES WENT OVER OUTSTANDING BASKET II TRADE AND GENERAL ISSUES. IN RESPONSE TO USSR QUERY, WE AGAIN OUTLINED U.S. POSITION THAT PROPER TREATMENT OF MFN IN CSCE TEXTS WOULD REQUIRE CLOSELY LINKED REFERENCE TO RECIPROCITY INCLUDING ADEQUATE QUALIFICATION OR DEFINITION TO MAKE CLEAR THAT WAS MEANT BY TERM. EASTERN REPS ARGUED THAT ON BASIS OF HELSINKI FINAL RECOMMENDATIONS, RECIPROCITY (WHICH APPEARED IN PARA 27) WAS GENERAL PREAMBULAR CONCEPT WHILE MFN (WHICH WAS IN PARA 31) SHOULD BE DEALT WITH IN TRADE TEXTS. WE RESPONDED HELSINKI RECOMMENDATIONS CERTAINLY DID NOT PRECLUDE APPROACH WE FAVORED AND CONSIDERED NECESSARY.

2. IN SUBSEQUENT DISCUSSION, USSR REPS LEFT IMPRESSION THAT THEY DID NOT EXPECT VERY SWEEPING TEXT ON MFN IN CSCE. MAJOR EASTERN FIRE WAS DIRECTED AGAINST EC PROPOSAL (WHICH WE HAVE MIDLY SUPPORTED) THAT DEFINITION OF RECIPROCITY INCLUDE TERM "ADVANTAGES AND OBLIGATIONS OF EQUAL WEIGHT" (DE PORTEE EGAL). (THIS IS REFORMULATION OF EARLIER EC PROPOSAL "EQUIVALENCE OF ADVANTAGES AND OBLIGATIONS," WHICH WAS TERM ALSO USED IN LIMITED OFFICIAL USE

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EC MODEL TRADE AGREEMENT PROPOSED TO EASTERN COUNTRIES AND

WHICH THEY HAVE THUS FAR REJECTED.) EASTERN REPS ARGUED THIS WAS NEW CONCEPT, NOT IN GATT OR IN BILATERAL AGREEMENTS, AND THAT ITS ACCEPTANCE WOULD CREATE CONFUSION IN TRADE RELATIONS SINCE THERE IS NO WAY TO MEASURE WHETHER ADVANTAGES AND OBLIGATIONS ARE OF EQUAL WEIGHT. (UK REP WAS NOT ABLE TO GIVE VERY CONVINCING RESPONSE TO THIS POINT.)

3. EASTERN REPS ALSO RELATED THEIR PROBLEM TO CURRENT STATES OF EC-EE TRADE RELATIONS. AS WE UNDERSTAND IT, MOST EC STATES FORMERLY GAVE MFN DE JURE TO EES, BUT WHEN EC ASSUMED RESPONSIBILITY FOR TRADE RELATIONS WITH EAST THIS CEASED. WHILE EC NOW GIVES EES MFN ON DE FACTO BASIS, IT WILL NOT DE SO DE JURE UNTIL TRADE AGREEMENTS BETWEEN EC AS SUCH AND EES CONCLUDED. MATTER THUS INVOLVED IN POLITICAL QUESTION OF USSR RECOGNITION OF COMMON MARKET. LINE TAKEN BY USSR REPS DURING MAY 15 DINNER DISCUSSION SEEMS TO INDICATE THEY FEAR THAT IF THEY ACCEPT EC PROPOSED LANGUAGE, EC WIL USE IT TO PRESS FOR UNILATERAL CONCESSIONS IN CONTEXT OF POSSIBLE FUTURE TRADE NEGOTIATIONS BETWEEN EC AND EES. (ANY FURTHER LIGHT USEC COULD THROW ON HOW THIS ISSUE IN CSCE RELATES TO EC-EE BARGAINING WOULD BE WELCOME.) DALE

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